PROVINCE OF BRITISH COLUMBIA

Nineteenth Annual Report

of the Business Done in Pursuance of the

Pension (College) Act

YEAR ENDED AUGUST 31

1987

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The Honourable ROBERT G. ROGERS
Lieutenant-Governor of the Province of British Columbia.

MAY IT PLEASE YOUR HONOUR:

The undersigned respectfully submits the Report of the business done in pursuance of the *Pension (College) Act* during the fiscal year ended August 31, 1987.

ELWOOD N. VEITCH
Provincial Secretary and
Minister of Government Services

Office of the Provincial Secretary and
Minister of Government Services
Victoria, British Columbia
May 10, 1988

The Honourable Elwood N. Veitch
Provincial Secretary and
Minister of Government Services
Victoria, British Columbia.

SIR, .

I have the honour to lay before you the Report of the business done in pursuance of the *Pension (College) Act* during the fiscal year ended August 31, 1987.

Respectfully submitted,

JOHN W. COOK
Superannuation Commissioner

May 10, 1988

PENSION (COLLEGE) ACT

ANNUAL REPORT

Report of the business done in pursuance of the *Pension (College) Act* for the fiscal year ended August 31, 1987

Section 3 — All monies received and paid out under the provisions of this Act are shown in the statement of changes in fund balance and all assets and liabilities are shown in the statement of financial position. These financial statements are attached to this report.

Section 4 — Inflation adjustment supplements totalling $433,782 ($353,544 in 1985/86) were charged to the Contributory Pensions Account. The annual increases are tied to the consumer price index and are payable to the extent that the capitalized value is available in the Inflation Adjustment Account. For this purpose, member and employer contributions each at the rate of 1.00% of salary and interest earnings attributable to funds held for the payment of superannuation allowances in excess of the rate assumed by the actuary are allocated to the Inflation Adjustment Account.

Section 5 — During the year 39 eligible employees were, upon application, declared to be exempt from becoming contributors.

As at August 31, 1987 there were 3,256 active members (2,111 male, 1,145 female). In addition, there are 542 members with deferred vested pension rights and 82 inactive members.

Section 6 — Member contributions amounted to $6,414,157 made up as follows:

	$
Basic Contributions	5,298,773
Inflation Adjustment Contributions	1,044,261
Voluntary Contributions	3,360
Arrears	67,763

Section 8 — Employer contributions amounted to $6,410,797.

Section 12 (1) — During the year 61 allowances were granted. There were 439 allowances in force as at August 31, 1987. Comparative statistics of allowances granted and in force are shown on Schedule 3 attached to this report.

Section 12 (3) — There was 1 transfers to and no transfers from approved employers.

A transfer totalling $31,133 was transferred to a reciprocal employer upon grant of allowance as follows:

	$	
Government of Canada Public Service Pension Account	31,133	*re* 1 employee

Section 18 — Refunds amounting to $745,739 were granted to 91 members upon resignation, death or dismissal.

Section 23 — An actuarial valuation of the Fund was carried out as at August 31, 1985. The valuation indicates that the unfunded liability of the Plan was about $60,891,000 as at August 31, 1985. The actuary has recommended that the statutory contribution rates under the Plan be increased to ensure stable contribution rates in the future.

Section 24 — The Superannuation Commission, Ministry of Provincial Secretary and Government Services provides administration services to the College Pension Fund. Administration and actural expenses paid from the Fund amounted to $65,884. The Provincial Treasury provides investment management services to the Fund, including safekeeping and registration of securities. Investment management fees paid to the Minister of Finance and Corporate Relations amounted to $115,682.

Section 27 — The par value of long-term investments held by the trustee as at August 31, 1987 amounted to $122,318,000 ($57,868,000 — 1986), as set out in the attached Schedule 1. Short-term investments held at that date amounted to $62,228,456 ($101,328,468 in 1986.)

An Investment Advisory Committee, consisting of the Superannuation Commissioner and the Director, Finance, Superannuation Commission, together with representatives from the Ministry of Finance and Corporate Relations meets on a quarterly basis during the year and sets guidelines and policy under which investments may be purchased and sold. The investment strategy followed for most of 1986/87 recommended a portfolio of 70% long-term and 30% short-term.

JOHN W. COOK, F.C.I.A.
Superannuation Commissioner

AUDITOR'S REPORT

To the Superannuation Commissioner, Trustee, and
To the Provincial Secretary and Minister of Government Services
Province of British Columbia:

I have examined the statement of financial position of the College Pension Fund as at 31 August 1987 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 August 1987 and the changes in the fund balance for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

ROBERT J. HAYWARD, C.A.
Acting Auditor General

Victoria, British Columbia
11 December 1987

COLLEGE PENSION FUND

STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 1987

	1987	1986
	($ Thousands)	
ASSETS		
Cash	221	514
Contributions receivable	1,100	1,103
Accrued interest	4,549	5,042
Investments (Note 3)	184,106	158,541
Deferred losses less gains on sale of investments (Note 4)	208	507
	190,184	165,707
LIABILITIES		
Accounts payable and accrued liabilities	103	107
FUND BALANCE		
Basic Account	171,482	149,941
Inflation Adjustment Account	18,599	15,659
	190,081	165,600
	190,184	165,707

The six accompanying notes are an integral part of these financial statements.

Approved by:

JOHN W. COOK, F.C.I.A.
Superannuation Commissioner, Trustee

VICTOR BARWIN, C.A.
Director, Finance, Superannuation Commission

COLLEGE PENSION FUND

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED AUGUST 31, 1987

	Basic Account	Inflation Adjustment Account	Totals 1987	Totals 1986
		($ Thousands)		
Fund Balance Increased by				
Contributions				
Members				
Current	5,299	1,044	6,343	6,121
Voluntary	3	—	3	4
Arrears	68	—	68	37
	5,370	1,044	6,414	6,162
Employers				
Current	5,299	1,044	6,343	6,121
Arrears	68	—	68	37
	5,367	1,044	6,411	6,158
Transfers from other funds	—	—	—	2
Income from investments	14,243	1,386	15,629	14,631
Total Increase	24,980	3,474	28,454	26,953
Fund Balance Decreased by				
Superannuation allowance payments				
Contributory	2,546	—	2,546	2,072
Inflation adjustment supplements	434	—	434	353
	2,980	—	2,980	2,425
Refunds	648	98	746	1,150
Transfers to other funds	27	5	32	113
Medical Plan premiums	33	—	33	28
Administration and actuarial fees	66	—	66	84
Investment management fees	105	11	116	116
Total Decrease	3,859	114	3,973	3,916
Net Increase Before Transfers	21,121	3,360	24,481	23,037
Transfers (Note 5)				
Capitalized value of inflation adjustment supplements granted ($537—1986)	958	(958)	—	—
Capitalized value of indexing of highest average salary ($220—1986)	160	(160)	—	—
Excess Interest ($857—1986)	(680)	680	—	—
Other ($14—1986)	(18)	18	—	—
	420	(420)	—	—
Net Increase in Fund Balance	21,541	2,940	24,481	23,037
Fund Balance at Beginning of Year	149,941	15,659	165,600	142,563
Fund Balance at End of Year	171,482	18,599	190,081	165,600

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 1987

1. Description of the College Pension Plan

The following brief description of the plan is provided for general information only. For more complete information about the plan, reference should be made to the Pension (College) Act.

(a) General

The plan is a defined benefit pension plan, whereby benefits are not directly linked to contributions. The plan is open to full-time faculty members of a college or college council in British Columbia, other faculty members whose application has been approved by the employer, and full-time senior administrative employees who are required by the employer to become members. Full-time faculty members may apply within one month of date of appointment to be exempted from contributing to the plan.

(b) Contributions

Members and employers each contribute to the Basic Account 4-1/2% of salary up to the year's maximum pensionable earnings and 6% of salary in excess of the year's maximum pensionable earnings. They also each contribute 1% to the Inflation Adjustment Account which was created in 1980 to provide for the payment of inflation adjustment supplements.

(c) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 55 with a minimum of 35 years contributory service, at age 60 with a minimum of 10 years contributory service and at age 65 with less than 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service, and at age 60 with less than 10 years contributory service.

The plan provides for a pension of 2% of the highest 5-year average salary for each year of pensionable service (to a maximum of 35 years). At age 65, or date of death or disability, if earlier, there is a reduction in the formula as a result of integration with the Canada Pension Plan.

Increases in the inflation adjustment supplements are provided each January 1st and are related to the annual increase in the Consumer Price Index (CPI) as at the previous September 30th. The capitalized value of the increases shall not exceed the funds available in the Inflation Adjustment Account. At January 1, 1987 there were sufficient funds available to provide a full CPI increase of 4.1% (4.1% in 1986) to the basic lifetime portion of the contributory superannuation allowances in force.

(d) Termination Benefits

A terminating member may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees who leave contributions in the Fund are entitled to deferred pension benefits. Terminating employees not withdrawing contributions may carry certain pension rights to other pension plans that have portability arrangements with the College Pension Plan. New contributors may also, under portability arrangements, transfer contributions and service from other plans to increase pension benefits under the College Pension Plan.

(e) Other Benefits

Disability and Survivor benefits are available under the plan.

2. Significant Accounting Policies

(a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at August 31, 1987 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 6 below.

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 1987—*Continued*

2. Significant Accounting Policies—*Continued*

(b) Investments

(i) Short-term investments are carried at cost by acquisition.

(ii) Units in Pooled Investment Portfolios are carried at the cost of acquisition adjusted by income attributed to the units. Income attributed to the units represents the Fund's share of investment income earned by the Portfolios and is realizable by the Fund upon the sale of the units.

(iii) Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the bonds. Prior to September 1, 1986, amortization was on a straight-line basis. The effect of this change on these financial statements is insignificant.

(c) Deferred Losses Less Gains on Sale of Investments

Gains and losses on disposal of long-term investments are deferred and amortized on a straight-line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

3. Investments

Investments held at the end of the year are as follows:

	1987	1986
	($ Thousands)	
	Book Value	Book Value
Short-term investments	$ 42,407	$101,329
Units in Province of British Columbia Pooled Investment Portfolios	19,881	—
Long-term investments	121,818	57,212
	$184,106	$158,541

At August 31, 1987, the market value of the Units in Pooled Investment Portfolios was $19,828,000 (1986 Nil) and the market value of the long-term investments was $115,449,000 (1986 $58,621,000).

4. Deferred Losses Less Gains On Sale of Investments

	1987	1986
	($ Thousands)	
Balance at beginning of year	$507	$557
Gains less losses on sale of investments	278	—
	229	557
Amortization for the year	21	50
Balance at end of year	$208	$507

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 1987—*Continued*

5. Transfers

The Basic Account is increased by the capitalized value of inflation adjustment supplements and the capitalized value of the indexing of the highest average salary for members electing deferred pensions during the year.

The Inflation Adjustment Account is increased by income that is earned on assets held in the Basic Account in respect of pensions being paid, and is in excess of income calculated using the interest rate assumed by the Actuary.

6. Actuarial Valuation

According to the *Pension (College) Act*, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary upon request by the Superannuation Commissioner. The most recent valuation was carried out as at August 31, 1985. The valuation indicated an unfunded liability in respect of basic pension benefits of $60,891,000 as of August 31, 1985, compared to $45,422,000 as of August 31, 1981, the date of the previous valuation. The increase in the unfunded liability was caused mainly by inadequacies in the statutory contribution rates.

The actuaries stated that they did not see the increase in the unfunded liability as a threat to the continued payment of pensions to current and prospective pensioners nor to the financial health of the pension plan, provided the statutory contribution rates are increased from their current combined rate of 12% of total salaries to a combined rate at least 15.04% of total salaries.

The contribution level recommended by the actuaries was determined under a "level contribution" funding method. This method expresses employer contributions as a constant percentage of future payrolls that, together with future member contributions and investment earnings, will finance the benefits for a typical new entrant to the plan and, in addition, will maintain the unfunded liability as a constant percentage of future payrolls.

COLLEGE PENSION FUND

SCHEDULE 1

LONG-TERM INVESTMENTS HELD AS AT AUGUST 31, 1987

	Par Value	Book Value	Market Value
	$	$	$
Government of Canada	16,267,000	16,272,000	16,184,293
Province of British Columbia guaranty			
B.C. Hydro and Power Authority	28,939,000	28,689,748	26,992,197
B.C. Railway Company	6,487,000	6,464,214	5,930,919
B.C. School Districts Capital Financing Authority	290,000	289,309	263,522
Peachland Irrigation Improvement District	50,000	50,000	40,303
Province of Alberta guaranty			
Alberta Government Telephone	500,000	496,922	462,627
Province of Manitoba	9,250,000	9,236,960	8,943,574
Province of Ontario guaranty			
Ontario Hydro	56,535,000	56,314,793	52,832,007
Province of Saskatchewan	4,000,000	4,004,329	3,799,436
	122,318,000	121,818,275	115,448,878
1986 Comparisons	57,868,000	57,212,373	58,620,658

COLLEGE PENSION FUND

SCHEDULE 2

INVESTMENT INTEREST AND TRANSACTIONS

Comparative Statistics, September 1, 1977 — August 31, 1987

Year Ended August 31	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Net earned rate of the fund[1]	% 9.028	% 9.429	% 10.213	% 12.191	% 13.536	% 11.277	% 10.341	% 10.772	% 9.894	% 9.121
Average rate of return of long-term investments purchased in year	9.645	10.064	12.125	—	16.994	12.694	11.410	—	9.168	9.016
Income from investments[1]	$ 1,867,737	$ 2,622,542	$ 3,809,316	$ 5,865,290	$ 8,679,157	$ 9,597,167	$ 10,846,059	$ 13,477,995	$ 14,631,163	$ 15,269,047
Long-term investment transactions										
Purchases (Par Value)	4,968,000	6,887,000	9,306,000	—	750,000	4,960,548	1,300,000	—	20,000,000	93,100,000
Maturities and Sales (Par Value)	76,000	—	—	—	1,030,000	—	7,260,548	51,000	—	28,650,000
Net Increase (Decrease)	4,892,000	6,887,000	9,306,000	—	(280,000)	4,960,548	(5,960,548)	(51,000)	20,000,000	64,450,000
Short-term Increase (Decrease)	1,839,500	1,300,500	414,648	12,946,023	20,553,977	10,709,003	26,788,797	20,489,227	4,641,441	39,040,012
Fund balance at end of year	24,672,955	33,170,040	44,601,411	59,646,451	78,033,312	99,153,249	120,269,128	142,562,848	165,599,592	190,081,388

[1] Restated for 1981 and subsequent years to include Inflation Adjustment Account, which commenced October 1, 1980.

COLLEGE PENSION FUND

SCHEDULE 3

Comparative Statistics — September 1, 1977 to August 31, 1987

Fiscal Year	Number of Contributors[3]	Contributions			Employee Refunds		Superannuation Allowances			
		Employer	Employee		Number	Amount	Granted During Year	Deaths & Expirations	In Force at End of Year	Amount Paid
			Regular	Voluntary						
1978	2,326	$ 2,455,294	$ 2,455,294	$ 20,425	79	$ 150,326	9	—	31	$ 220,757
1979	2,585	3,008,957	3,008,957	10,042	103	188,100	10	—	41	26,971[1] 262,193
1980	2,832	3,489,501	3,489,501	6,457	111	262,612	34	—	75	47,354[1] 462,798
1981	3,065	4,982,197	4,982,197	8,846	174	567,479	34	—	109	75,640[1] 653,679
1982	2,735	5,875,032	5,874,313	3,515	167	658,071	45	1	153	117,618[1] 949,564
1983	3,197	6,449,440	6,453,962	3,140	103	341,346	39	—	192	57,948[2] 1,082,801
1984	3,152	6,453,563	6,453,563	2,640	163	923,789	65	—	257	154,718[2] 1,343,982
1985	3,079	6,257,966	6,254,221	7,423	189	1,436,662	59	—	316	226,478[2] 1,686,831
1986	3,127	6,158,294	6,158,294	4,316	133	1,149,772	66	2	380	284,627[2] 2,071,721
1987	3,256	6,410,797	6,410,797	3,360	91	745,739	61	2	439	353,544[2] 2,546,464 433,782[2]

[1] Cost of living supplementary allowances.
[2] Inflation Adjustment supplementary allowances, commencing January 1, 1982.
[3] Includes active, inactive, voluntary and fully vested contributors.

COLLEGE PENSION FUND

SCHEDULE 4

Normal Allowances Granted September 1, 1986 to August 31, 1987

SUBDIVIDED BY YEARS OF SERVICE AND VALUE OF ALLOWANCE

Years of Service	Number of Allowances Granted	Average Salary During Last Five Years	Average Annual Allowance on Single Life Plan	Average Value of Allowance	Average Employee Share	Average Employer Share
		$	$	$	$	$
Under 10 years	24	42,252	5,211	54,243	21,008	33,235
10–14	16	43,632	8,251	85,970	36,866	49,104
15–19	11	46,152	13,321	136,447	55,164	81,283
AVERAGE OF NORMAL ALLOWANCES GRANTED DURING YEAR:						
	62 (Age)	43,524	7,914	81,927	33,350	48,577
TOTAL VALUE OF NORMAL ALLOWANCES GRANTED DURING YEAR:						
	51	2,219,722	403,611	4,178,271	1,700,869	2,477,402

SUBDIVIDED BY YEARS OF SERVICE AND AGE AT RETIREMENT

Years of Service	Age at Retirement											Total	Per Cent
	55	56	57	58	59	60	61	62	63	64	65		
Under 10 years	—	3	—	3	1	3	2	1	1	2	8	24	47
10–14	1	1	1	1	—	3	1	—	2	1	5	16	31
15–19	—	—	—	—	1	2	2	2	—	—	4	11	22
Total	1	4	1	4	2	8	5	3	3	3	17	51	
Per cent	2	8	2	8	4	15	10	6	6	6	33		100

Allowances Other Than Normal Granted September 1, 1986 to August 31, 1987

Number of Allowances Granted	Death	Disability	Deferred
10	—	1	9

COLLEGE PENSION FUND

SCHEDULE 5

Approved and Reciprocal Employers as at August 31, 1987

APPROVED EMPLOYERS

Section 12 (6) provides for the granting of a deferred allowance to a contributor who within three years of making his last contribution to the Fund enters the employment of one or more of the following employers, remains in employment long enough to qualify for a monthly pension benefit and has at least 10 years combined contributory service under this plan and the pension plan of the approved employer —

	Effective Date
Government of Canada	July 1, 1973
Any employer to whom the *Pension (Public Service) Act* applies	July 1, 1973
Any employer to whom the *Pension (Teachers) Act* applies	July 1, 1973
University of British Columbia	July 1, 1973
University of Victoria	July 1, 1973
Simon Fraser University	July 1, 1973
Ontario Teachers' Superannuation Plan	January 26, 1982
Plumbing and Pipefitting Workers Local 170 Pension Plan	April 20, 1982

AGREEMENTS NEGOTIATED WITH OTHER EMPLOYERS

Section 12 (3) provides that the Superannuation Commissioner may enter into an agreement for the transfer of funds in respect of an employee who transfers to or from the service of the following employers —

Government of Canada	June 22, 1973
Ontario Teachers' Superannuation Plan	September 22, 1983

RECIPROCAL EMPLOYERS

Section 13 provides for the method of calculating the monthly pension benefit of an employee who within three years of making his last contribution to the Fund transfers to or from the service of the following British Columbia reciprocal employers and commences contributing to the pension plan —

An employer under the *Pension (Public Service) Act*	July 1, 1973
An employer under the *Pension (Teachers) Act*	July 1, 1973
An employer under the *Pension (Municipal) Act*	July 1, 1973
Workers' Compensation Board	June 3, 1974

COLLEGE PENSION FUND

SCHEDULE 6

Approved Group Disability Salary Continuance Plans as at August 31, 1987

APPROVED EMPLOYERS

Section 1 of the *Pension (College) Act* provides for the approval of a group disability salary continuance plan by the Provincial Secretary. Section 11(2) provides that any period during which a contributor receives benefits from an approved plan, is treated as a period of pensionable service for the purposes of the *Pension (College) Act* in respect of the following employers —

	Effective Date
Camosun College	March 27, 1975
Capilano College	June 4, 1979
Cariboo College	April 2, 1984
Douglas College	July 30, 1979
East Kootenay Community College	July 9, 1980
Fraser Valley College	February 17, 1982
Justice Institute of B.C.	August 3, 1979
Kwantlen College	March 24, 1983
Malaspina College	August 3, 1982
College of New Caledonia	April 30, 1979
Northern Lights College	June 8, 1979
North Island College	August 6, 1981
Northwest Community College	October 29, 1979
Okanagan College	February 4, 1977
Open Learning Institute	December 18, 1979
Pacific Marine Training Institute	July 31, 1985
B.C. Institute of Technology	April 9, 1979
Selkirk College	April 9, 1984
Vancouver Community College	June 6, 1979
Emily Carr College of Art & Design	November 6, 1986
Lester B. Pearson College of the Pacific	May 14, 1987

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